Senator Runner's Week in Review

A Weekly Review That Will Keep You Informed and Up-to-Date

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News of the Week

- Community Renewal Regional Conference Planned for this Saturday in Santa Paula
- $300 Planned for SCLA in Victorville – Projected 2,800 Jobs
- Federal Funding for High Desert Corridor Project
- Santa Clarita Forum Tackles Traffic Issues
- Company Constructs Four Hangars at SCLA
- High Desert Corridor Takes A Step Forward
- 120,000 Attend Edwards AFB Open House and Air Show
- Victorville in Top Ten of Fastest Growing Cities

Streamlined Sales Tax

Since 2001 California has been actively participating in a multi-state effort to implement a Streamlined Sales and Use Tax Agreement (SSUTA). The effort is not without controversy. Supporters believe the SSUTA will simplify tax laws, create efficiencies in administration and reduce the burden of tax collection. Opponents view the SSUTA as an attempt by tax collectors and tax-and-spend lawmakers to increase taxes.

What is the Streamlined Sales Tax Project?

The Streamlined Sales Tax Project (SSTP) is an effort created by state governments and state tax collection agencies, with input from local governments and some private sector parties, to simplify and modernize sales and use tax collection and administration.

The SSTP was established in March 2000. It consists of Participating States, those that dedicate staff to the SSTP, regularly participate in SSTP meetings, and vote on behalf of the state, and Observer States, those that send a representative to SSTP meetings and participate in SSTP. These staff members have the authority to vote on behalf of the state but have no voting rights.

The SSTP's stated goals include: 1) simplifying the tax laws; 2) implementing more efficient administrative procedures and systems for sellers (including remote sellers) engaged in all commercial enterprises; and 3) improving technologies to substantially reduce the burden of tax collection. To accomplish these goals, each state must enact both enabling legislation and conforming legislation.

Enabling Legislation allows the state to enter into an agreement with Participating States to simplify and modernize sales and use tax administration in order to reduce the burden of tax compliance for sellers in all commercial enterprises. This does not require any amendments to a state's sales and use tax law.

Conforming Legislation requires a state to amend or modify its sales and use tax laws to achieve uniformity with the SSUTA. Some states will need to make only minor revisions to their laws to implement the provisions of the (SSUTA). States with more complex sales and use tax laws (e.g. California) may need to make significant revisions to their laws to implement the provisions of the SSUTA.

The SSUTA will become binding and take effect when at least 10 states, comprising at least 20 percent of the total population, as determined by the 2000 Federal census of all states imposing a state sales tax, have petitioned for membership and have been found to be in substantial compliance with the provisions of the SSUTA (i.e. enacted conforming legislation). It is the goal of the SSTP to implement the SSUTA in 2005.

Authority to administer the SSUTA after its effective date rests with representatives of each member state identified as the "governing board" in the SSUTA (SSUTA Governing Board). Each member state may appoint up to four representatives to the SSUTA Governing Board. The representatives must be members of the executive or legislative branches of the state. Each member state is entitled to one vote on the SSUTA Governing Board (e.g. Rhode Island and California wield the same influence in matters before the SSUTA Governing Board).

Presently 42 states (including California) and the District of Columbia have passed enabling legislation. Twenty-one states have passed legislation in an attempt to conform to the SSUTA. These states must submit a certificate of compliance to document compliance with the provisions of the SSUTA and cite applicable statutes, rules, regulations, or other authorities evidencing such compliance.

California's Involvement in the SSTP Since 2001

Since 2001 Board of Equalization (BOE) staff have monitored and evaluated the issues identified in the SSTP, including informally participating in teleconference meetings and reviewing distributed material. On March 26, 2003, the members of the BOE voted to elevate California's participation in the SSTP to Observer State and authorized staff to take part in the SSTP meetings and discussions. BOE staff attended their first SSTP meeting in May 2003 and have attended all subsequent meetings.

On October 8, 2003, SB 157 (Bowen) was signed by Governor Davis, making California a Participating State in the SSTP. Among other provisions, SB 157 creates a Board of Governance (BOG), directs the BOG to represent California as a voting member of the SSTP, and enacts certain provisions of the SSUTA.

As required by SB 157, California's SSTP BOG consists of two members of the Senate, two members of the Assembly, one member of the BOE, one member of the Franchise Tax Board, and one member of the Governor's Department of Finance. Presently, the members of the BOG are: Senator Debra Bowen, Senator Roy Ashburn, Assembly Member Rudy Bermudez, Assembly Member Mark Wyland, Controller Steve Westley, BOE Member John Chiang and Deputy Director at the Department of Finance Anne Sheehan.

The BOG may represent California in all meetings attended by Participating States, authorizes the BOG to vote on California's behalf at these meetings, and directs the BOG to represent California's position in all matters regarding amendments to the SSUTA.

The BOE is currently analyzing the SSUTA in an effort to determine its compatibility, interaction and impact on California's Sales and Use Tax Law. The analyses by the BOE are expected to be completed in April of 2007.

Should California Encourage Adoption of the SSUTA?

Americans for Tax Reform raised concerns about the SSTP and the SSUTA writing, "...[E]very major free-market and pro-growth association opposes the SSTP. These groups include Americans for Tax Reform, the National Taxpayers Union, Citizens for a Sound Economy, Club for Growth, Citizens Against Government Waste, the Cato Institute, the Heritage Foundation, the American Enterprise Institute and dozens of state-based think tanks.

"These groups oppose the adoption of the SSTP because the history of the movement does not support a commitment to tax neutrality, and because its present proponents cannot guarantee that the net impact on taxpayers in every state will be zero. Proponents of SSTP include state tax commissioners and their staffs, multi-state accounting firms, who stand to benefit from the compliance complexity SSTP induces, and tax-and-spend lawmakers desperate to ease the process of collecting taxes – so as to more easily increase taxes...

"Increasing taxes should not be easy. All efforts to reform tax collection must ensure that competition among states and localities is protected and encouraged." (Mathew Clark, ATR Policy Brief, The Lawmakers Guide: Ignoring Taxpayers, 2003).

Additional Resources

The Streamlined Sales Tax Project:
http://www.streamlinedsalestax.org/

The Streamlined Sales and Use Tax Agreement:
http://www.streamlinedsalestax.org/Final%20Agreement%20As%20Amended%2004-16-05.pdf

The BOE SSTP Board of Governance Internet Site:
http://www.boe.ca.gov/info/senatebill157.htm

For more information on this report or other Revenue and Taxation issues, contact Robert Becker, Senate Republican Office of Policy at 916/651-1501.

If you would like to contact Senator Runner, please click here: Email - Website

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